A STUDY OF INFLATION AND MONETARY POLICY IN INDIA POST GLOBAL FINANCIAL CRISIS OF 2008

1.Introduction

The interrelationship between financial development, inflation and economic growth has been considered crucial for any economy. Further the role of financial development is considered necessary for inclusive growth and sustainable development for any developing economy. Therefore, the above mentioned issue has been subjected to empirical scrutiny in many countries over the years. Empirical research on this area centers around a few interesting issues. They include; (1) role of financial development on economic growth (2) role of market based and bank based indicators of financial development on economic growth (3) threshold effect of inflation on economic growth (4) financial development and income inequality (5) financial development and poverty (6) financial development and human development. Starting from the pioneering work of Schumpeter (1911), Robinson (1952) and Patrick (1966) to the recent attempt by Samargandi et al. (2015), the literature covering various issues has been very voluminous, Nevertheless, most of the issues in general and the issue of financial development and inclusive growth in particular remain unresolved in Indian context. The issues, however, assume importance in the context of the economy experiencing innovations, deregulations, structural, technological and institutional changes in the recent past. Therefore, in the present context, it is necessary to re-address some of the issues associated with the linkages between financial development, inflation and economic growth in the perspective of Indian economy where the above mentioned changes have taken place in recent years. It is felt that such a study would throw some light on how accurately and reliably the policy makers can take decision to achieve economic growth and sustainable inclusive growth in Indian economy.

Need for the study Financial development can be defined as the policies, factors, and the institutions that lead to the efficient intermediation and effective financial markets. A strong financial system offers risk diversification and effective capital allocation. The greater the financial development, the higher would be the mobilization of savings and its allocation to high return projects. Financial development can be measured by a number of factors, including the depth, size, access, and soundness of the financial system. It can be measured by examining the performance and activities of the financial markets, banks, bond markets and financial institutions. It is observed that higher the degree of financial development in a country, the wider will be the availability of financial services. A well-structured financial system is important to boost the economy, but the main question is how to measure financial development. Further, the relationship between the financial development and economic growth has been one of the most heavily researched topics in recent years among the researchers. Many researchers have tried to conceptualize how the development and structure of an economy's financial sector affect economic growth and what are factors affect domestic savings, capital accumulation, and income

growth, or vice versa; and to empirically investigate these linkages, including identifying the causal relationship, several authors have studied this relationship (see, for example, Honohan 2004a, 2004b; Levine 2004; and Andrianova and Demetriades 2008). This issue has attained greater attention in both theoretical and empirical literature, but economists hold different views. Still the relationship is debatable because of no clear or generalized conclusion.

Poverty in India With the current high level of financial development and economic growth in India, the country has succeeded in curbing poverty to a large extent. According to the estimates of the National Sample Survey Office (NSSO), the percentage of the population below the poverty line has reduced from 54.9% in fiscal year 1973 to 27.5% in fiscal year 2004 and it become 29.8 percent in 2009-10. In fact, the number of poor people has reduced by 52.4 million during this period. This poverty has declined at an average of 1.5 percentage points per year between 2004-05 and 2009-10 (Table 1.5). Meanwhile, Percentage of the population living below the international poverty line, $1.25 (in purchasing power parity terms) a day is 32.7% of the total population in 2012. It came down from 59.8% in 1981 to 51.3% by 1990 or 8.5 percentage points over nine years. Between 1990 and 2005, it declined to 41.6%, a drop of 9.7 percentage points over 15 years, clearly a much slower rate of decline (UNDP Database). The United Nations Development Program (UNDP) Human Development Report 2012 ranks India 136 out of 186 countries in poverty ranking. But it does not possess a good ranking among other developing countries; hence there is a far way to go with poverty alleviation programs to reduce poverty in India

2. Significance of the study

The importance of the debate on the relationship between financial development and economic growth for developing economies is substantiated by the fact that it has important policy implications whether the policy-makers should first pursue financial development in order to induce higher levels of economic growth or whether they should first focus on the activities of real sector in order to encourage higher levels of financial development. Therefore, the outcomes of this debatable issue are useful for policymakers in order to formulate policies regarding efficient resource allocation. An empirical study on the issue of finance-growth nexus is in setting up optimal macroeconomics policies to execute economic growth. Examining the relationship between financial development and economic growth is important as it enhances the effectiveness of policy decisions for a developing country like India.

2.1 Objectives of the study

The present work is designed to address the above mentioned issues for Indian economy. Accordingly the objectives of the present study are set as follows:

1. To study for The first objective is to examine the role of financial development on economic growth in the context of financial innovation

2.. To study for inflation and monetary policy effect to Indian economy after post global financial crisis of 2008
3.. To Study the impact of inflation on economic growth in Indian economy.
4. To study for inflation and monetary policy effect to Indian economy after post global financial crisis of 2008
5. inflation and monetary policy does not effect to India economy after post global financial crisis of 2008

3. Methodology

3.1 RESEARCH METHODOLOGY AND SAMPLE DESIGN

3.1.1 Materials and Research Methodology

1. **Study Site:** Economist or Professor from all over india
2. **Study Design:** in this study the data collection on in depends variable (inflation and monetary policy) dependent variable (Economist or Economic Professor).

3.1.2 Data Collection

1. **Primary Data:** Present research study is of descriptive type and based on primary data collected through questionnaire filled by the Economic professor or Economist
2. **Secondary Data:** The secondary data includes references book journal research papers and.
3. **Variable:** The selection of the variable will be carried out based on the professor status like family member, age, income, time, gender, hygiene environment etc.
4. **Sample Area:** The study will be carried out from all over india
5. **Sample Size :200 by Random Sampling with 20 Questionnaires**

3.2 RESEARCH DESIGN

The study is partly exploratory and partly descriptive keeping in view the objectives and hypotheses, these were found to be the most appropriate methods of research investigation.

The study has not only concentrated on “Summative evaluation” to determine the degree of mastery over a given learning task and to pinpoint the part of the task not mastered.

it is a qualitative phenomenon. Attitude or opinion research to find out how employees feel and think about the training, is also a qualitative research. At the same time, it is applicable to phenomena that can be expressed in terms of quantity Thus, the study is both quantitative and qualitative in nature.

3.3 RESEARCH APPROACH

A quantitative research approach was used for this study, since this research approach will be systematic, controlled and the information obtained is not subject to ethical evaluation. Using quantitative approach (Chi Square analysis) builds more reliability to the study, since a predetermined process will be followed and can therefore be replicated.

3..3.1 Secondary Sources of Data

Secondary sources of data were collected from books, journals, reports and other published materials, for the purpose of understanding the concepts . The secondary data collected from various sources were incorporated wherever necessary to substantiate the primary data. The references have been listed at the end of the chapters and the bibliography presented at the end of the thesis contains references in an alphabetical order.

3.3.2 Tools Used in the Study

To analyse and interpret the primary data, statistical tools such as percentages, and Chi Square Test are used.

3.3.3 Period of the Study

Information relating to that were collected in the form of data, covered the period of twelve years from 2010 to 2022 The study was carried out from the year 2010 to 2022 to Present perspective for crisis 2008.

3.4 HYPOTHESES TESTED

In the light of the above objectives, the following hypotheses have been developed for the study

1. inflation and monetary policy effect to Indian economy after post global financial crisis of 2008

2. inflation and monetary policy does not effect to India economy after post global financial crisis of 2008

There are the hypothesis developed to the objectives of the study:-

H0 inflation and monetary policy effect to Indian economy after post global financial crisis of 2008

H1 inflation and monetary policy does not effect to India economy after post global financial crisis of 2008